

FISCAL NOTE

Bill #: SB0315

Title: Restrict lottery advertising

Primary

Sponsor: Jack Wells

Status: As introduced

Sponsor signature	Date	Dave Lewis, Budget Director	Date
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Fiscal Summary

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
Expenditures:		
Other	(\$1,551,400)	(\$1,970,200)
Revenue:		
General Fund	(\$427,700)	(\$533,800)
Other	(1,551,400)	(1,970,200)
Net Impact on General Fund Balance:	(\$427,700)	(\$533,800)

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget		X	Significant Long-Term Impacts

Fiscal Analysis

ASSUMPTIONS:

1. This analysis is based on the Newfoundland experience which showed a 14% decrease in sales over 4 years when a similar ban on advertising was placed on the Atlantic Lottery Corporation for this Canadian province. Thus, the estimates generated assume that Montana and Newfoundland are very similar in all aspects. And, it appears that a total advertising ban existed in Newfoundland, whereas Montana only bans electronic media and billboards.

2. The decrease in expenditures includes decreases in prizes, commissions, ticket costs as well as advertising expenses. This is because prizes, commissions and ticket costs are all directly related to revenue and as revenue declines, so will these expenses.
4. The decline in revenue was calculated using estimated sales of \$29,910,000 in FY2000, and \$29,978,000 in FY2001 (HJR2). The decline in revenue in FY2000 and FY2001 is estimated at 7% and 9% respectively.
5. All Lottery net revenue is transferred to the general fund.
6. The decrease in expenditures includes prizes, commissions, ticket costs and advertising expenses.
7. The article that explained the Newfoundland experience concluded, “While it may not necessarily be axiomatic that a decrease in advertising will result in a decrease in overall sales, revenues cannot be maximized without advertising.” Also, Newfoundland sales actually increased overall during the ban, but did not increase at the anticipated rate.

FISCAL IMPACT:

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
<u>Expenditures:</u>		
Operating Expenses	(\$1,551,400)	(\$1,970,200)
<u>Funding:</u>		
Other (06)	(\$1,551,400)	(\$1,970,200)
<u>Revenues:</u>		
General Fund (01)	(\$427,700)	(\$533,800)
Other (06)	(\$1,551,400)	(\$1,970,200)
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	(\$427,700)	(\$533,800)
Other	0	0

LONG-RANGE IMPACT

The cumulative net, negative impact on the general fund balance will continue to increase in future years.